PROVINCE OF

PRINCE EDWARD ISLAND

THIRTY-EIGHTH

ANNUAL REPORT

FOR THE YEAR ENDED MARCH 31ST

1986

LIQUOR CONTROL COMMISSION

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The Honourable Allison Ellis,
Minister,
Department of Energy & Forestry,
Province of Prince Edward Island,
Charlottetown, P.E.I.

Sir:

I have the honor to submit the thirty-eighth Annual Report of the Prince Edward Island Liquor Control Commission covering the fiscal year April 1, 1985, to March 31, 1986.

Respectfully submitted,
STANHOPE MOORE,
Chairman.

GENERAL REMARKS

The Commission is presently operating thirteen (13) retail outlets, of which eleven (11) are selfservice in design and two (2) are conventional. In addition, the Commission operates a Central Warehouse and Licensee Distribution Center located in Parkdale, on the outskirts of Charlottetown.

The major objectives of the Commission are to provide the most efficient system of distribution of alcoholic beverages to the public, maintain a high level of customer service, and maximize revenues to the Minister of Finance while keeping in mind Government policies.

Since June, the Commission provided increased service in Summerside and Charlottetown areas. A store in each of these areas was opened until 10:00 p.m. on Saturday nights. The Commission has received positive feedback from its customers on this increased service.

In February, the Commission introduced draught beer into the marketplace and hence became the first Commission to market draught to any licensed premise. The draught beer was purchased by the Commission from Island Breweries Ltd. who commenced operations during February.

A Listing Policy and Marketing Manual, which provides important information to the Alcoholic Beverage Industry on listing guidelines and promotional policies of the Commission, was introduced during the fiscal year.

For the fiscal year ended March 31, 1986, gross sales were Forty-four million, sixty-five thousand, six hundred and fifteen dollars ($44,065,615.00). This is an increase of 1.6% over 1984-85 fiscal year. Net profit for the year, plus health and sales taxes, totalled Nineteen million, three hundred sixty-three thousand, four hundred and seventy-nine dollars ($19,363,479.00). This represents an increase of .07% over 1984-85 fiscal year.

Cost of goods sold and operational expenses amounted to Twenty-four million, eight hundred seventy-seven thousand, nine hundred and ninety-three dollars ($24,879,993.00). This represents an increase of .02% over 1984-85 fiscal year.

The Licensing & Inspection Department continues to carry out surveillance on all licensed premises and inspections of Special Banquet permits.

As in previous years, the checking of minors and overserving still continue to be two major concerns within the Department. The maintaining of a high level of operational standards are stressed to licensees throughout the year. Strong emphasis was placed on the prevention of breaches of the Liquor Control Act Regulations and Commission Policy within this sector.

Reports indicate licensees, for the most part, continue to operate in a satisfactory manner. The Department continues to have meetings with staff of licensed premises with respect to the enforcement of the Liquor Control Act Regulations. These meetings are well received by the Licensees.

There were six (6) new licenses issued during the fiscal year, while nine (9) licenses were voluntarily surrendered.

The Commission acknowleges the valuable assistance of the Royal Canadian Mounted Police, Charlottetown Police Department, Summerside Police Department, and all other law enforcement agencies throughout the Province, other Goverment Departments and last, but not least, Liquor Control Commission employees for their dedication and contribution to the efficient operation of the Commission during the year.

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

ANALYSIS OF SALES BY RETAIL STORES

(For the Year Ended March 31, 1986)

	NET SALES		
	Year Ended March 31, 1986	Year Ended March 31, 1985	Increase (Decrease)
ALBERTON	$ 1,024,216.54	$ 1,014,855.80	$ 9,360.74
BORDEN	858,391.74	884,600.20	(26,208.46)
CARDIGAN	3,004,217.72	3,077,228.95	(73,011.23)
CHARLOTTETOWN - QUEEN ST.	2,736,850.88	2,981,384.23	(244,533.35)
KENSINGTON	1,035,597.36	1,026,991.28	8,606.08
LICENSEE DISTRIBUTION CEN.	3,662,858.89	3,629,389.99	33,468.90
NORTH RUSTICO	1,300,211.35	1,262,436.48	37,774.87
O'LEARY	842,944.40	846,633.13	(3,688.73)
ROYALTY MALL	5,917,291.03	5,735,621.52	181,669.51
SHERBROOKE	3,534,137.25	3,512,563.07	21,574.18
SOURIS	1,528,287.84	1,570,709.97	(42,422.13)
SUMMERSIDE	2,334,342.16	2,228,577.79	105,764.37
TIGNISH	1,058,786.33	1,036,053.94	22,732.39
TOWERS	4,339,311.68	3,877,712.68	461,599.00
WAREHOUSE (SUNDRY)	68,836.30	66,774.96	2,061.34
	$33,246,281.47	$32,751,533.99	$ 494,747.48

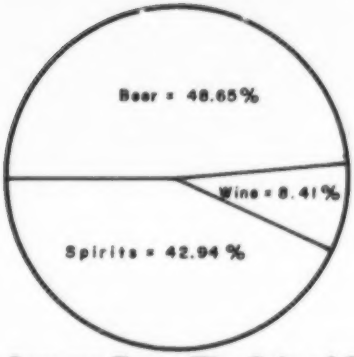
PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

SUMMARY OF PROFIT AND EXPENSE RATIOS ((in 000's)

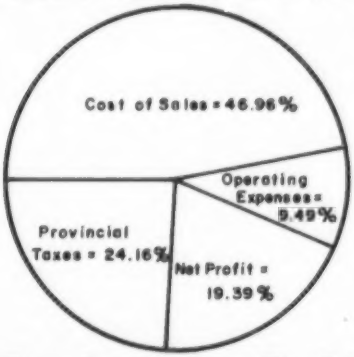
(For The Years Ended 1982 - 1986)

	1982*	1983	1984	1985	1986
SALES	36,073	38,904	41,303	43,364	44,065
GROSS PROFIT	10,453	11,411	12,102	12,298	12,553
NET PROFIT	7,313	7,906	8,385	8,618	8,544
GENERAL AND ADMINISTRATIVE EXPENSES	3,315	3,676	3,914	3,877	4,185
GROSS PROFIT AS % OF SALES	29.8	29.3	29.3	28.4	28.5
NET PROFIT AS %OF SALES	20.9	20.3	20.3	19.9	19.4
GENERAL & ADMINISTRATIVE EXPENSES AS % OF SALES	9.0	9.4	9.5	8.9	9.5

*PROVINCIAL HEALTH TAX CHANGE



Gross Income From The Sale of Liquor

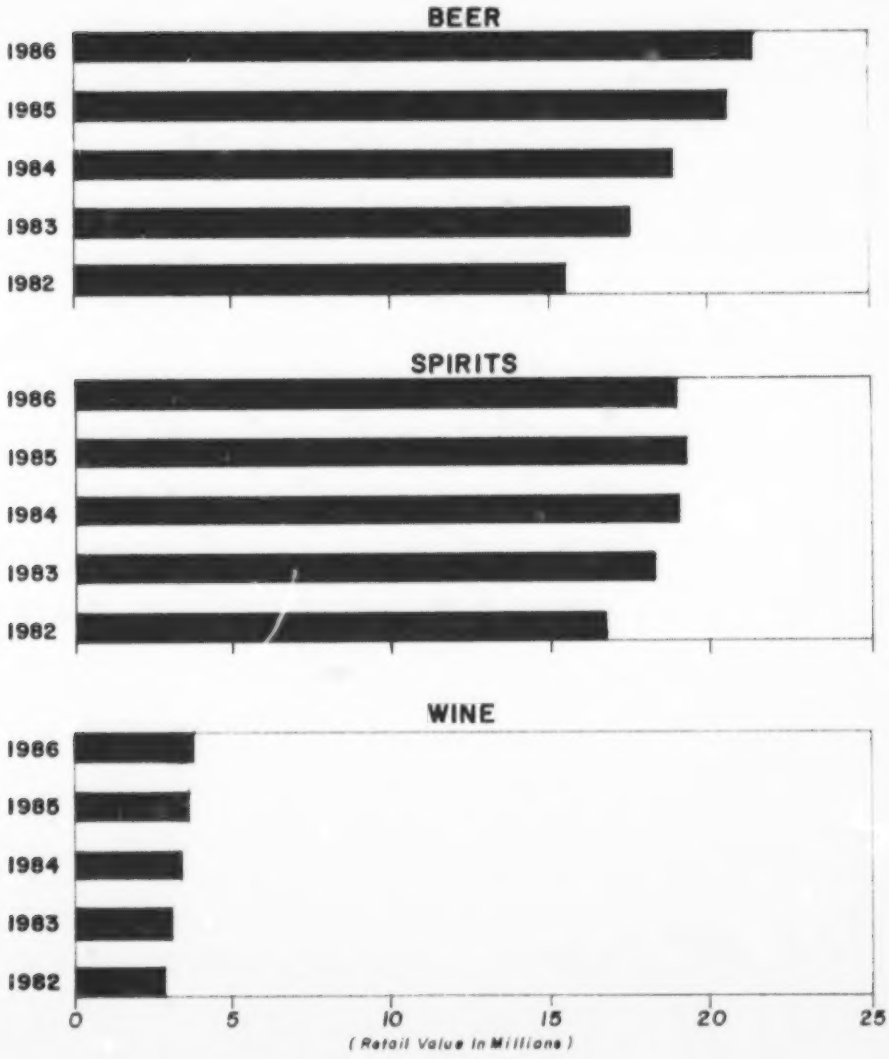


Distribution Of Gross Income From The Sale Of Liquor

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

RETAIL VALUES OF LIQUOR SOLD IN P.E.I.

(For The Years 1982-1986)



COMPARATIVE STATEMENT

	Gross Sales	Health Tax	Sales Tax	Gross Profit	Net Profit
1963	4,998,654	436,246	199,946	1,586,532	1,439,837
1964	5,381,463	465,079	265,593	1,679,073	1,524,410
1965	5,975,134	516,034	298,757	1,925,402	1,730,387
1966	6,570,884	567,485	328,544	2,111,001	1,855,305
1967	7,273,136	628,138	363,659	2,330,301	2,025,426
1968	8,190,658	707,375	409,533	2,703,928	2,332,440
1969	9,038,301	780,581	451,915	3,000,284	2,606,209
1970	9,738,688	825,960	653,127	3,239,826	2,806,100
1971	10,639,885	899,554	744,792	3,554,861	3,056,251
1972	11,912,815	995,573	952,287	4,030,737	3,471,592
1973	13,614,618	1,137,732	1,088,265	4,701,365	3,981,712
1974	15,682,662	1,311,641	1,254,613	5,439,661	4,474,827
1975	17,977,409	1,503,565	1,438,193	6,138,729	4,985,202
1976	21,371,136	1,787,404	1,709,691	7,240,505	5,767,823
1977	21,620,540	1,843,287	1,344,387	7,466,755	5,793,464
1978	24,287,799	2,005,822	1,500,260	8,366,564	6,482,257
1979	25,258,836	2,156,123	1,541,483	8,716,321	6,688,570
1980	27,602,661	2,354,594	1,702,124	9,783,207	7,506,780
1981	29,922,380	2,663,073	2,055,181**	10,358,624	7,819,513
1982	35,072,507	6,120,627	2,440,237	10,452,764	7,313,442
1983	38,904,314	6,819,570	2,688,211	11,410,630	7,906,428
1984	41,303,258	7,249,723	2,828,817	12,101,846	8,385,392
1985	43,363,896	7,634,874	2,977,486	12,297,568	8,617,835
1986	44,065,615	7,772,890	3,046,443	12,553,475	8,544,146

** NOTE: PROVINCIAL HEALTH TAX INCREASED FROM 10 - 25% MARCH 13/81

LICENSES IN EFFECT AS OF MARCH 31, 1986
AND COMPARISON WITH 1985

		1986	1985
1.	**MILITARY CANTEEN LICENSES**	26	26
2.	**CLUB LICENSES**	70	70
	CLUB LICENSES WERE GRANTED TO:		
	The Parkwood 85 Club Inc.		
3.	**DINING ROOM LICENSES**	121	117
	DINING ROOM LICENSES WERE GRANTED TO:		
	Knox Restaurant		
	Rolly's Restaurant		
	Eastern Food Services Management Ltd.		
	Walter Lee Restaurant		
	Sundunes Inn Restaurant		
	Barb's Restaurant		
	G & B's Restaurant		
	Bamboo Restaurant		
4.	**LOUNGE LICENSES**	56	54
	LOUNGE LICENSES WERE GRANTED TO:		
	R J's Lounge		
	Knox Lounge		
	Mr. "C" Lounge		
	Flight Deck Lounge		
	Links Inn Lounge		
	Shore Line Lounge		

LICENSES VOLUNTARILY SURRENDERED

	1986	1985
CLUB	1	2
1. Kinsmen Club of Charlottetown		
DINING ROOM	4	4
1. North River Restaurant		
2. Mom's Family Restaurant		
3. The Showboat Inc.		
4. Cheverie Inn		
LOUNGE	4	1
1. Ship to Shore		
2. Mom's Family Restaurant		
3. The Showboat Inc.		
4. Cheverie Inn		

SUMMARY:

Military Canteen	26	26
Club	70	70
Dining Room	121	117
Lounge	56	54
	273	267

AUDITOR'S REPORT

To the Commissioners of the

P.E.I. Liquor Control Commission

I have examined the balance sheet of the Prince Edward Island Liquor Control Commission as at March 31, 1986 and the statement of income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Commission as at March 31, 1986 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

R. HUISMAN, C.A.

Acting Auditor General

Charlottetown, Prince Edward Island,
June 2, 1986.

STATEMENT 1

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

BALANCE SHEET

MARCH 31, 1986

(with comparative figures at March 31, 1985)

ASSETS

	1986		1985	
CURRENT ASSETS				
Cash		$ 259,243		$ 329,864
Accounts receivable		26,549		15,086
Inventories—Note 1(b)		2,064,026		1,984,197
Prepaid expenses		21,910		37,818
		2,371,728		2,366,965
FIXED ASSETS				
Land—cost		103,979		103,979
Building—cost	$ 2,705,178		$ 2,693,348	
Less: Accumulated Depreciation Note 1(a)	1,446,314	1,258,864	1,190,448	1,502,900
Equipment—cost	420,270		417,621	
Less: Accumulated Depreciation—Note 1(a)	347,887	72,383	359,799	57,822
Leasehold Improvements —cost	282,289		269,788	
Less: Accumulated Amortization—Note 1(a)	222,629	59,660	210,390	59,398
		1,494,886		1,724,099
		$ 3,866,614		$ 4,091,064

STATEMENT 1 (Continued)

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

BALANCE SHEET

MARCH 31, 1986

(with comparative figures at March 31, 1985)

LIABILITIES

CURRENT LIABILITIES

	1986	1985
Trade accounts payable	$ 386,532	$ 745,342
Accounts payable—other	193,006	94,880
Accrued interest	39,088	43,441
Deferred revenue	5,740	7,360
Debentures payable—Province of P.E.I.—current portion—Note 3	78,053	68,371
Due to the Minister of Finance—Note 1(c)	1,747,361	1,475,940
	2,449,780	2,435,334

LONG TERM LIABILITIES

Due to the Minister of Finance in respect of net fixed assets—Note 1(c)		900,486		1,061,329
Debentures payable—Province of P.E.I.—Note 3	$ 594,401		$ 662,772	
Less: Current Portion	78,053	516,348	68,371	594,401
		1,416,834		1,655,730
		$ 3,866,614		$ 4,091,064

(Notes 1 to 4 are an integral part of these financial statements)

ON BEHALF OF THE COMMISSION:

COMMISSIONER: A. B. WOOD

COMMISSIONER: WYLIE BARRETT

STATEMENT 2

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

STATEMENT OF INCOME

YEAR ENDED MARCH 31, 1986

(with comparative figures for the year ended March 31, 1985)

	1986		1985	
SALES		$44,065,615		$43,363,896
Less: Provincial Health Tax	$ 7,772,890		$ 7,634,874	
Provincial Sales Tax	3,046,443	10,819,333	2,977,486	10,612,360
NET SALES		33,246,282		32,751,536
COST OF GOODS SOLD				
Beginning Inventory	1,984,197		2,341,097	
Purchases	20,772,636		20,097,068	
	22,756,833		22,438,165	
Ending Inventory	2,064,026	20,692,807	1,984,197	20,453,968
GROSS INCOME		12,553,475		12,297,568
EXPENSES				
Salaries and employee benefits	2,806,370		2,705,137	
Heat and electricity	238,237		220,409	
Rent—Note 2	175,798		180,534	
Depreciation—Note 4	293,589		170,203	
Store supplies and office expenses	135,039		132,061	
Interest on long term debt	91,699		100,710	
Repairs and maintenance	139,662		100,525	
Insurance and taxes	82,573		89,182	
Travel	69,532		64,318	
Telephone and telegraph	32,838		33,253	
Professional services	53,421		35,429	
Miscellaneous	49,435		17,923	
Delivery	14,226		16,003	
Computer services	12,777	4,186,186	11,434	3,877,121
		8,368,289		8,420,447
OTHER INCOME		175,857		197,388
NET INCOME—Note 1(c)		$ 8,544,146		$ 8,617,835

(Notes 1 to 4 are an integral part of these financial statements)

PRINCE EDWARD ISLAND LIQUOR CONTROL COMMISSION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1986

1. **Summary of significant accounting policies**

   (a) Depreciation and Amortization

   Depreciation of buildings, furniture and equipment and amortization of leasehold improvements are caculated on a straight-line basis. This basis represents the estimated useful life of the buildings, furniture and equipment, and the terms of the leases.

   (b) Inventories

   Inventories are valued at cost based on the latest invoice price

   (c) Net Income

   All net income of the Commission accrues directly to the Province. Transfers of net income are made to the Consolidated Fund on a continuing basis as excess cash becomes available. Any funds received from operations which are used to finance net additions to fixed assets are withheld by the Commission and treated as long term loans from the Province.

2. The Prince Edward Island Liquor Control Commission leases 5 retail outlets. All of these retail outlets have written lease agreements and the maturity dates for these leases are between 1986 and 1994. The leases have a total basic yearly rent of approximately $156,000.

3. **Debentures Payable**

	Balance March 31, 1985	Less Current Portion	Long Term Liability
Licensee Distribution Centre			
Repayable in equal annual installments of $75, 764 including interest @ 12.5% per annum, maturing November 1, 1990	$ 269,695	$ 42,052	$ 227,643
North Rustico			
Repayable in equal annual installments of $64,295 including interest @ 15.5% per annum, maturing September 1, 1991	240,046	27,088	212,958
Kensington			
Repayable in equal annual installments of $24,363 including interest @ 18% per annum, maturing January 1, 1992	84,660	8,913	75,747
	$ 594,401	$ 78,053	$ 516,348

4. During 1985/86, an adjustment was made to accumulated depreciation to allow for net book values to reflect the remaining useful life of each building.